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mine file

December 3, 1991

TO: Lowell P. Braxton, Associate Director

FROM: D. Wayne Hedberg and Tony Gallegos - Permit Supervisor and Reclamation Engineer *ag* *DWH*

RE: Review of Utelite Corporation's 1990 Self-bonding Financial Statements, Utelite Mine, M/043/004, Summit County, Utah

The Division's Oil and Gas Audit Manager, Steve Schneider, has reviewed the 1990 annual financial statement provided by Utelite Corporation (Utelite). Utelite has met two of the three requirements for financial performance set by the Board in the January 1990 briefing. the two requirements met were: (1) maintain **or improve** the ratio of total liabilities to net worth at the 1988 level of 0.08 (1990 value was 0.07) and (2) deliver the financial statements to the Division by the established annual date of March 30th. The requirement which was not met was to maintain **or improve** the ratio of current assets to current liabilities at the 1988 level. The 1990 ratio was 8.46, while the 1988 ratio was 9.61. Steve Schneider's evaluation memo gives a possible explanation for the change in this ratio (copy attached).

Based on the Division's self-bonding qualification sheet, the ratio of total liabilities to net worth should be 2.5 times or less and the ratio of current assets to current liabilities should be 1.2 times or greater. The Utelite 1990 statement exceeds both these criteria by several magnitudes. On the other hand, Utelite has still not met the \$10 million tangible net worth criteria listed on the qualification sheet even though the net worth for 1990 (\$2,077,873) is more than double the 1989 value (\$1,030,746). However, the Board, in approving Utelite's 1988 self-bonding proposal, obviously took this factor into consideration. Based on this information, we recommend that the Division accept the 1990 financial statement and re-evaluate the ratios again next year. *W*

aag/jb
Attachment
cc: Minerals File
M043003.1